



April 4, 2007

Chairman Kevin J. Martin
Federal Communications Commission
445 12th St., S.W.
Washington, DC 20554

Re: *Charter Communications, Inc. Request for Waiver of 47 C.F.R. § 76.1204(a)(1),*
CSR-7049-Z; CS Docket No. 97-80

Dear Chairman Martin:

In prior submissions, Charter has demonstrated that grant of a waiver from the integration ban for low-cost set-top boxes is critical to the success of the digital transition and broadband deployment in the small-town and rural America communities served by Charter. The purpose of this letter is to provide additional information to illustrate more specifically the rural nature of Charter's systems.

In Charter's previous filings, we demonstrated that three-quarters of Charter's systems meet the Commission's definition of a small system.¹ As would be expected, therefore, Charter's systems are also heavily rural. According to U.S. Census figures, of the 639 U.S. counties in which Charter provides service, 74% have a population that is at least 35% rural, 57% are majority rural, and 28% are at least 75% rural.²

Another instructive measure of the rural nature of a system is its "homes passed per mile" of deployed cable facilities. Investors and cable analysts place significant weight on this figure in assessing the cost of providing cable services to a community and the expected return on investment, since it is much more expensive per customer to deliver services (especially broadband and other advanced services) to less densely populated rural areas. In contrast to Charter's small and rural systems, cable systems in large Tier 1 cities and densely-populated inner suburbs are less expensive per subscriber to operate and upgrade because these systems often pass 200-600 homes per mile.³ Most of the large MSOs have a substantial percentage, if not all, of their systems in such densely populated areas. But only six of Charter's 384 headends (1.5%) serve 15,000

¹ See Letter from Neil Smit, President & CEO, Charter Communications, Inc., to Marlene H. Dortch, Secretary, FCC, CS Docket 97-80 (Mar. 2, 2007) ("Of Charter's 389 headends, 303 (78%) serve fewer than 15,000 subscribers, and 280 (72%) serve fewer than 10,000 subscribers. Charter does not operate any of the 25 largest cable systems in the country.") The Commission has defined a "small system" as a "cable television system that serves 15,000 or fewer subscribers." 47 C.F.R. § 76.901(c).

² These calculations were compiled using U.S. Census 2000 data, available at <http://factfinder.census.gov>.

³ See Television & Cable Factbook 2007, Cable Vols. 1-2.

subscribers and pass even 100 homes per mile.⁴ These six headends serve a total of fewer than 350,000 Charter subscribers, or 6.6% of Charter's total subscribers. The remaining Charter systems pass an average of 55 homes per mile, a low density that is more characteristic of rural systems.

Despite these greater costs, Charter is eager to accept the challenge of delivering next-generation advanced services such as faster broadband, digital cable and high-definition services to these historically underserved rural markets. However, Charter cannot fund the purchase of CableCARD-devices for all of its new set-tops without diverting funds from the critical broadband deployment and digital transition priorities that are needed urgently in rural areas. This is why Charter, the League of Rural Voters, and other rural MVPDs have emphasized the particular need for low-cost waivers for operators that are attempting to make significant investments in rural America.'

The Commission has recognized that regulatory relief is especially needed to spur broadband deployment to rural America, given the greater difficulties and expense of delivering broadband and advanced services in remote and low-density markets. Last year, you explained:

although the need for broadband infrastructure in rural areas is particularly acute, it is typically in these areas where deployment may be least pervasive. The Commission is working hard to remedy this situation. Indeed, section 706 of the Telecommunications Act of 1996 requires the Commission to encourage the deployment of advanced telecommunications capabilities to all Americans. ... Market forces have been much more effective in driving innovation and infrastructure investment than regulation. And, that is why removing regulatory hurdles to providing new broadband services has been, and will remain, one of my top priorities.'

Special consideration for rural operators such as Charter is therefore consistent with the Commission policy and Congressional mandate of promoting the rapid

⁴ These systems are located in St. Louis, Missouri; Long Beach, Glendale, Monterey Park, and Davis, California; and Waite Park, Minnesota. Charter also has a few small, rural systems that pass more than 100 homes per mile, but such cases are unusual exceptions.

⁵ See, e.g., CS Docket 97-80, Letter from Niel Ritchie, Executive Director, League of Rural Voters, to Hon. Kevin Martin, Chairman, Federal Communications Commission (Oct. 2, 2006) (explaining that waivers were especially critical for rural areas). Moreover, the record shows that the imposition of the integration ban would deliver little if any incremental benefit to rural consumers. These consumers live further from the Best Buy and Circuit City stores that sell CableCARD devices at retail, and on average have less disposable income to spend on \$1000 TiVos and \$1700-\$7000 DTVs.

⁶ Remarks of the Honorable FCC Chairman Kevin J. Martin, Imagining the Digital Healthcare Future in the Rural West, July 7, 2006. See also Written Statement of the Honorable Kevin J. Martin before the Committee on Energy and Commerce U.S. House of Representatives, March 14, 2007 ("Broadband technology is a key driver of economic growth and enables almost all of today's innovations. ... During my tenure as Chairman, the Commission has worked hard to create a regulatory environment that promotes broadband deployment.").


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deployment of advanced services to all Americans. For this reason, among the others Charter has previously described, I urge the Commission to grant Charter's request for waiver.

Very truly yours,

A handwritten signature in black ink, appearing to read "Neil Smit", with a stylized flourish at the end.

Neil Smit
President & CEO
Charter Communications, Inc.

cc: Heather Dixon